Office of Thrift Supervision
Financial Reporting Division

December 2005

www.ots.treas.gov

Financial Reporting Bulletin

It is important that you read this bulletin and the attached materials before preparing and submitting your Thrift Financial Report.

December TFR Filing Deadline – Monday, January 30, 2006
December COF Filing Deadline – Monday, January 30, 2006
December CMR Filing Deadline – Tuesday, February 14, 2006
December HC Filing Deadline – Tuesday, February 14, 2006

IN THIS ISSUE

The Office of Thrift Supervision publishes the Financial Reporting Bulletin quarterly and distributes it to all OTS-regulated institutions. The bulletin's purpose is to provide the Thrift Financial Report preparer with reporting information and guidelines. Please send comments and suggestions on this bulletin to Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552, or by e-mail to tfr.instructions@ots.treas.gov.

FOURTH QUARTER FILING DEADLINES

You should complete and transmit your December 2005 TFR and COF **as soon as possible** after the close of the quarter. **Filing deadline** for all schedules *except* HC and CMR is **Monday, January 30, 2006**. **Filing deadline** for Schedules HC and CMR is **Tuesday, February 14, 2006.**

Institutions that are exempt from filing Schedule CMR but choose to voluntarily file must adhere to the filing deadlines above. The OTS will not be able to provide access to Interest Rate Risk reports to institutions that fail to meet the filing deadline. All voluntary CMR filers should contact Doris Jackson at doris.jackson@ots.treas.gov, or 972-277-9618 two days after transmitting CMR for confirmation of receipt.

If you have questions concerning the preparation of your report, please call your Financial Reporting Division analyst in Dallas, Texas. A contact listing is provided near the end of this bulletin. You may e-mail reporting questions to tfr.instructions@ots.treas.gov. If you need assistance with the Electronic Filing System (EFS) or Financial Reports Subscriber (FRS) software or transmission, contact the EFS Helpline Message Center by e-mail at efs-info@ots.treas.gov or call toll free 866-314-1744. If you have questions about your Interest Rate Risk report, you may contact Scott Ciardi at scott.ciardi@ots.treas.gov or call 202-906-6960.

DECEMBER 2005 EFS VERSION 5.7.5 SOFTWARE UPDATE AVAILABLE FOR DOWNLOAD

The Electronic Filing System (EFS) Version 5.7.5 **update is now available for download** via EFS Net, and must be used to prepare and transmit all reports to the OTS. **No CD will be mailed out for the December 2005 cycle.**

Please install the update as soon as possible, following the download instructions included in the update link, before you begin working on your December reports.

For any software issues you encounter, you should first run the OTS Diagnostics, which is installed automatically along with the EFS program. You can access OTS Diagnostics from your desktop through Start, Programs, Office of Thrift Supervision, OTS Diagnostics. If the OTS Diagnostics does not identify and offer solutions for your problem, contact the EFS Helpline at efs-info@ots.treas.gov, or call toll free 866-314-1744.

What's New in EFS 5.7.5

New Feature - Schedule CSS Roll-Forward

Schedule CSS is filed annually with the December reporting cycle. There was a modification for this schedule in EFS 5.7 (September 2005) of which you should be aware. EFS formerly populated certain Schedule CSS entity data for the current year using information downloaded to the application from the prior year. This process has changed to better streamline data entry and to assist thrifts that acquired entities through merger with another thrift.

EFS will now automatically populate Schedule CSS entity data (CSS010 through CSS115) without relying on the prior year's data. This is done for each institution automatically and no additional steps are required. If you reported Subordinate Organizations in December 2004, those organizations will be included in your Schedule CSS the first time you open the December 2005 schedule. They will appear on the right-hand side of the screen in order by tax-id number.

In addition, if you were the surviving institution in a merger with another thrift, any subordinate organizations reported by that thrift in December 2004 will appear along with those you reported. It is your responsibility to determine whether these organizations still exist in December 2005.

If any of the organizations that appear on the Schedule CSS screen were dissolved or are no longer owned, please check the box directly under CSS010 titled "Report Subsidiary as Dissolved or No Longer Owned." No other data entry is required. Do not use the "Delete" button (trash can icon) to remove a dissolved organization.

You may create new subordinate organizations using the "Add" button (plus-sign icon). If you make a mistake while creating a new organization or have created one in error, you may delete it using the "Delete" button (trash can icon).

Enhanced Schedule CMR Data Entry

In response to several requests, we now offer two enhancements to data entry on Schedule CMR. The first enhancement is to the screen display. The paper version of Schedule CMR is oriented in landscape format, and until now you have been able to see only a maximum of three data-entry columns at one time. You now have the option to view all five data-entry columns on your screen. To reconfigure your application, click Options > Configurations and then check the box to "Use Expanded CMR Data Entry Layout." This option requires a minimum screen resolution of 1024x768 pixels.

The second enhancement is to the order of data entry. The current method is for the cursor to move from left to right when you press the "Enter" key. You may now choose to have the cursor move down the columns when you press the "Enter" key. The columnar data entry is done in logical groupings instead of completely down one column and then up to the next. For example, on the first page, data entry starts at CMR001 and continues to CMR056, and then goes back up to CMR002 and down to CMR057, etc. This will enable columnar completion of the 30 year FR/SF First Mortgage Loans and MBS before moving on to the 15-year mortgage section.

To reconfigure your application for column-oriented data entry, click Options > Configurations and then check the box "Column Oriented Data Entry Order" located directly under the option for expanded data entry layout. You can select this option only if you have also chosen the expanded data entry layout.

DECEMBER 2005 TFR INSTRUCTION MANUAL UPDATES

Enclosed are updated pages to the TFR Instruction Manual. The updated pages are dated December 2005 and the changes are marked by a vertical bar in the margin. The changes are as follows:

Schedule SC - Line SC760: Other Borrowings - Page 228

Added the following language for items to include in SC760:

12. Clearing items.
13. Purchase acquisition debt.

***Deleted* the following items where reporting ended after December 2004:**

Schedule VA - Page 405

VA36: Charge-Offs on Deposit and Investment Securities

Schedule VA - Page 408

VA70: Charge-Offs on Real Estate Held for Investment

VA820: Charge-Offs on Equity Investments Not Subject to FASB Statement No. 115

VA37: Recoveries on Deposit and Investment Securities

Schedule VA - Page 410

VA821: Recoveries on Equity Investments Not Subject to FASB Statement No. 115

Schedule CC - Page 703

Added the following language before CC335:

TO PURCHASE OR SELL MORTGAGE-BACKED SECURITIES AND INVESTMENT SECURITIES

Report all commitments to purchase mortgage-backed securities and investment securities whether or not they are accounted for under SFAS Statement No. 133 (e.g., when-issued, regular-way trades, or normal purchases and sales) on the appropriate line: CC335, CC355, CC365, or CC375. Report commitments to purchase and sell when-issued securities that are accounted for as derivatives under SFAS Statement No. 133 on a gross basis (except you may net purchases and sales of the identical security with the same party). For example, report a GSE To-Be-Announced (TBA) mortgage-backed security where there is expectation of physical delivery upon issuance of the security (regular-way trade) on CC335. Similarly, report a GSE TBA where there is no expectation of delivery, and therefore, accounted for under SFAS Statement No. 133 as a forward contract, also on CC335.

Schedule DI - Page 907

Added the following language at the end of the instruction paragraph following the heading "TO BE COMPLETED ONLY BY ASSOCIATIONS WITH OAKAR DEPOSITS":

Include accrued interest and escrows in your reporting. For further information, see the FDIC Deposit Reporting Self Assessment Guide For Thrifts, OMB NO. 3064-0057.

Schedule CCR - Page 1626

Added the following language after "...purchase..." and before "...FannieMae..." in the example:

and the institution has the intent to take delivery of (e.g., a regular-way trade, which is not accounted for as a derivative under SFAS Statement No. 133)

Changed the section header below the example to:

Interest-Rate and Exchange-Rate Contracts, and Certain Derivative Contracts

Schedule CCR - Page 1627

Added the following language after the example shown on the page: Example:

You have a legally binding commitment to purchase when-issued (TBA) FannieMae MBS of $10 million. You entered into the contract for risk management purposes, and you have no intent to take delivery of the MBS, i.e., you intend to net settle. You report this security according to SFAS Statement No. 133 since it is a derivative contract, i.e., an interest rate forward agreement.

The fair value of the commitment is $5,000. The replacement cost of the commitment is $5,000. It is a 6-month contract.

Report $5,000 on Schedule SC, under either Other Assets or Other Liabilities, depending on whether the value is positive or negative. Because this TBA MBS is a derivative contract whose value will change with market interest rates, it is treated as an interest rate forward contract under the off-balance to on-balance sheet regulatory conversion rules, and you must determine its credit equivalent amount. For risk-based capital purposes, the credit equivalent amount of such a derivative contract, in this case the interest rate forward contract is the sum of its current credit exposure (replacement cost) plus the potential future exposures over the remaining life of the derivative contract (regardless of current credit exposure, if any). The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart.

In this example, the current credit exposure is $5,000, the replacement cost. Report $5,000 on CC335. To determine the potential future credit exposure of the contract, multiply the notional amount of $10 million times 0% (since the remaining maturity is less than one year), or $0. The converted equivalent amount to report for risk-based capital purposes is therefore $5,000. Report $5000 on CCR430. This amount is then multiplied by the risk-weight factor of 20% because FannieMae is the obligor. FannieMae receives a 20% risk-weight because it is a U.S. government sponsored agency that issues securities under 12 CFR 567.6.

Also see December 2005 changes to page 1626.

MARCH 2006 TFR FORM AND INSTRUCTION MANUAL UPDATES

The following changes will be implemented in the *March 2006* TFR Form and Instruction Manual. Any additional changes to the March 2006 TFR Instruction Manual will be announced in the March 2006 Financial Reporting Bulletin.

MARCH 2006 TFR FORM UPDATES

Schedule SC

Added the following line before SC430:
SC429: U.S. Government-Guaranteed or -Insured Real Estate Owned

Schedule VA

Deleted the following line items where reporting ended after December 2004:
VA 36: Charge-Offs on Deposits and Investment Securities
VA37: Recoveries on Deposits and Investment Securities
VA70: Charge-Offs on Real Estate Held for Investment
VA820: Charge-Offs on Equity Investments Not Subject to FASB Statement No. 115
VA821: Recoveries on Equity Investments Not Subject to FASB Statement No. 115

MARCH 2006 TFR INSTRUCTION MANUAL UPDATES (not attached)

Schedule SC - Line SC429 - Page 218

Added the following language before SC430:

SC429: U.S. Government-Guaranteed or -Insured Real Estate Owned
Report repossessed property where the loans were wholly or partially guaranteed or insured by agencies of the U.S. government.

Schedule SC - Line SC660 - Page 221

Replaced item 5 under "Include" with the following:

5. Other intangible assets (i.e., purchased credit card relationships (PCCRs)) excluding servicing assets reported on SC642 and SC644.

Schedule SB - Line 010 - Page 1201

Changed the second paragraph to:

You should respond ***No*** and leave the remainder of Schedule SB blank if the following are true:

(1) you and your consolidated subsidiaries have no loans reported on SC260, 300, 303, and 306

(2) your business loans and those of your consolidated subsidiaries have only **original amounts,** as defined below, exceeding $1 million

(3) your farm loans have only **original amounts** exceeding $500 thousand

Schedule CCR - Line CCR185 - Page 1606

Changed the heading to:

Intangible Assets

Changed the first sentence to:

Report PCCRs included on SC660 as well as on CCR115.

Schedule CCR - Line CCR285 - Page 1608

Changed the heading to:

Intangible Assets

Schedule CCR - Line CCR840 - Page 1631

Replaced the first paragraph with the following two paragraphs:

If you do not report purchased credit card relationships (PCCRS) or servicing assets on nonmortgage loans or if you do not have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, the EFS software will compute this ratio as Tier 1 (core) capital plus cumulative perpetual preferred stock less PCCRS and servicing assets on nonmortgage loans divided by tangible assets less PCCRS and servicing assets on nonmortgage loans ([CCR20-CCR185+SC812-SC644]/[CCR25-CCR285-SC644]), expressed as a percentage.

If you have non-qualifying PCCRs or non-qualifying servicing assets on nonmortgage loans, as determined under CCR133, you should manually override the software calculation for CCR840. You should take into consideration adjustments made on CCR 133 so that PCCRs and servicing assets on nonmortgage loans in Tier 1 (core) capital are fully deducted for purposes of the tangible equity ratio.

Questions & Answers

TFR Questions and Answers are posted on the OTS web site at *http://www.ots.treas.gov/ (click TFR). If you have a question you would like posted, please e-mail it to tfr.instructions@ots.treas.gov.*

Q&A No: 58

SUBJECT: Delinquent FHA/VA Loans Purchased from GNMA Pools

Rescinded.

Q&A No: 239

SUBJECT: GNMA Buy-Back Program

Rescinded.

Q&A No: 253

SUBJECT: Reporting Financing Arrangements Under the Tobacco Transition Payment Program

Changed the language of the last paragraph to:

> For risk-based capital purposes, assignment contracts should be risk weighted at 100 percent because of the potential exposure to payment reductions for any debt owed by the quota holder or producer to an agency of the United States as outlined above. Successor-in-interest contracts from producers or quota holders are, in essence, unconditionally guaranteed by the U.S. Government and should be risk weighted at zero percent.

Q&A No: 254

SUBJECT: FAS123 (R) Charges
LINE(S): SO510
DATE: December 15, 2005

Question: *Where on the TFR Schedule SO should FAS123 (R) charges be recorded?*

Answer: FAS 123 (R) charges should be reported in SO510 - Personnel Compensation and Benefits.

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The Financial Reporting Division uses voice-mail extensively. If you reach the voice-mail of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned as quickly as possible.

TFR REPORTING QUESTIONS AND ANSWERS

The Financial Reporting Division posts TFR Questions and Answers on the OTS website at http://www.ots.treas.gov/ (click TFR). If you have a question that you would like answered, you may submit it to tfr.instructions@ots.treas.gov.

EFS HELPLINE MESSAGE CENTER

For assistance with Electronic Filing System (EFS)-related issues, contact the EFS Software Helpline at efs-info@ots.treas.gov, or call the toll-free 24-Hour Message Center: 866.314.1744. NOTE: For security purposes, please always begin your e-mail Subject line with your 5-digit docket number, and provide your name and phone number.

INTEREST-RATE RISK REPORTS

Questions about your Interest Rate Risk report may be directed to Scott Ciardi at scott.ciardi@ots.treas.gov, or 202.906.6960.

COPIES OF TFR MANUAL The OTS provides one copy of the TFR Instruction Manual and Financial Reporting Bulletins free of charge to the report preparer(s) of each OTS-regulated institution. You can also access the manual and bulletins on the OTS website at http://www.ots.treas.gov (click TFR).

PREFERRED AND MINIMUM REQUIREMENTS FOR ELECTRONIC FILING OF REGULATORY REPORTS

Preferred Requirements:

Application

- **IBM-compatible PC - Pentium 566+ processor**
- **Windows 98, NT4.0 Workstation, Windows 2000, XP, Me**
- **256 Meg of installed RAM memory**
- **200+ Meg of available hard drive memory**
- **SVGA enhanced color monitor 800x600, 256 colors or 24 bit true colors**
- **CD-Rom drive**
- **HP LaserJet or Ink Jet-compatible printer**

Communications - EFS-NET

- **DSL, Internet Cable, or T1-T3 Direct Line with online Internet access**
- **Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)**

Minimum Requirements:

Application

- IBM-compatible PC - Pentium 200+ processor
- Windows 98
- 128 Meg of installed RAM memory
- 150 Meg of available hard drive memory
- VGA or SVGA color monitor - 640x480, 256 colors screen
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

Communications - EFS-NET

- 56K bps modem and active account with an Internet Access Service Provider
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

Office of Thrift Supervision
Filing Schedule for 2006 Regulatory Reports

Reporting "As Of" Date	FILING DEADLINE			
	Thrift Financial Report	Schedule CMR and HC	Cost of Funds	Branch Office Survey
January 31			Thursday March 2	
February 28			Thursday March 30	
March 31	Monday May 1	Monday May 15	Monday May 1	
April 30			Tuesday May 30	
May 31			Thursday June 30	
June 30	Monday July 31	Monday August 14	Monday July 31	Monday August 28
July 31			Wednesday August 30	
August 31			Monday October 2	
September 30	Monday October 30	Tuesday November 14	Monday October 30	
October 31			Thursday November 30	
November 30			Tuesday January 2, 2007	
December 31	Tuesday January 30, 2007	Wednesday February 14, 2007	Tuesday January 30, 2007	

THRIFT FINANCIAL REPORT INSTRUCTION MANUAL UPDATES

DECEMBER 2005

Insert these revised pages into your Thrift Financial Report Instruction Manual. Delete **only** the pages that have a replacement.

Refer to the summary of these changes in the December 2005 Financial Reporting Bulletin.

Direct questions to your Financial Reporting Analyst in Dallas, TX, or by e-mail to: tfr.instructions@ots.treas.gov.

the repurchase transaction and subsequent investment of these borrowed funds are independent transactions. Therefore, you should not offset any income generated by this subsequent investment by the interest expense incurred in the reverse repurchase transaction. Report interest income on SO115, Interest Income on Deposits and Investment Securities, and interest expense on SO260, Interest Expense: Other Borrowed Money.

SC736: Subordinated Debentures (Including Mandatory Convertible Securities and Limited-Life Preferred Stock)

Report subordinated debentures and mandatorily convertible securities that you or your consolidated subsidiaries issued, net of premiums and discounts. Include REIT preferred stock issued by a consolidated subsidiary to a third party that you report as a liability. Report related issuance costs on SC689, Other Assets.

Mortgage-Collateralized Securities Issued:

Report only those mortgage-collateralized securities that are not recorded as sales in accordance with GAAP as principally prescribed by FASB Statement No. 77, *Reporting by Transferors for Transfers of Receivables with Recourse*, and FASB Technical Bulletin 85-2, *Accounting for Collateralized Mortgage Obligations (CMOs)*.

SC740: CMOs (including REMICs)

Report all collateralized mortgage obligations (CMOs) issued by you and your consolidated subsidiaries adjusted for issuance costs, discounts, and premiums.

SC745: Other

Report all mortgage collateralized securities, other than CMOs, that you or your consolidated subsidiaries issued that are not recorded as sales in accordance with GAAP.

SC760: Other Borrowings

Report all other borrowings not included on SC720 through SC745.

Include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties.
2. Mortgages and other encumbrances on your office premises or real estate owned for which you are liable.
3. Obligations of an employee stock ownership plan (ESOP) to a lender other than yourself, when such reporting is required under GAAP, including AICPA SOP No. 93-6, *Employers' Accounting for Employee Stock Ownership Plans*.
4. The underlying mortgage in a wrap-around loan unless the holder of the underlying mortgage has accepted a subordinated position, in which case you deduct the underlying loan against the related loan.
5. Senior liens on foreclosed real estate.
6. Overdrafts in your transaction accounts in other depository institutions, where there is no right of set-off against other accounts in the same financial institution. If the overdraft is in a zero-balance account or an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business, you should include in deposits the funds received or held in connection with checks drawn on the other depository institutions.
7. Commercial paper that you have issued.
8. Liabilities for capital leases related to assets that you've reported on SC55.
9. Eurodollar issues.

10. The liability from a *sale* of loans with recourse accounted for as a financing. Refer to FASB Statement No. 77, *Reporting by Transferors for Transfers of Receivables with Recourse*.
11. The related liability for delinquent mortgage loans previously securitized with Ginnie Mae, where you have an unconditional repurchase option. The recording of such mortgage loans and the related liability is required under GAAP (including FASB Statement No. 140).
12. Clearing items.
13. Purchase acquisition debt.

Do not include:

1. Accrued interest due and payable. Report on SC766, Other Accrued Interest Payable.
2. Redeemable preferred stock you have issued. Report on SC800, Minority Interest.

You must charge the interest and dividends on all borrowings and yield adjustments reported on this line to expense on SO260, Other Borrowed Money. You must not net the interest expense against the interest income on the related asset.

OTHER LIABILITIES

SC75: Total

The EFS software will compute this line as the sum of SC763 through SC796.

SC763: Accrued Interest Payable - Deposits

Report accrued interest that has not been credited to deposit or escrow accounts.

Do not include:

Interest withheld from deposits for remittance to taxing authorities. Report on SC712, Escrows.

SC766: Accrued Interest Payable - Other

Include:

Accrued interest and dividends due on borrowings that you have reported on SC720 through SC760.

SC776: Accrued Taxes

Include:

1. Current portion of federal, state, and local income taxes.
2. Real estate taxes.
3. Employer’s share of payroll taxes.
4. Other miscellaneous taxes.

Do not include:

1. Taxes withheld from employees’ salaries. Report on SC712, Escrows.
2. Tax accrual accounts with debit balances. Report as accounts receivable on SC689, Other Assets, as Code 03.
3. Interest withheld from deposits for remittance to taxing authorities. Report on SC712, Escrows.

SC780: Accounts Payable

Report the amount accrued for services, supplies, materials, and other expenses.

Reclassify accounts payable with material debit balances to accounts receivable. Report on SC689, Other Assets, as Code 14.

Do not include:

1. Charge-offs due to recognizing unrealized losses on trading assets.
2. Charge-offs in connection with marking assets to market in a business combination accounted for as a purchase.

VA165, 168 AND 170: ENDING BALANCE

The EFS software automatically generates these balances as the sum of the General, Specific, and Total columns, and brings them forward as the beginning balances for the next reporting period. VA165 must equal the sum of the general valuation allowances that you reported in Schedule SC on SC229, SC283, SC357, SC441, and SC699.

CHARGE-OFFS, RECOVERIES, AND SPECIFIC VALUATION ALLOWANCE ACTIVITY

CHARGE-OFFS

Report the amount of loss that you charged off during the quarter against general valuation allowances. You should only include charge-offs for which no specific valuation allowance has previously been established.

The sum of VA370, 46, 56, 60, and 930 must equal VA155. The EFS software automatically generates VA155 once you enter charge-offs on VA370, 46, 56, 60, and 930.

VA370: Mortgage-Backed Securities

Report the amount of loss that you charged off on SC210 through SC228, Mortgage-Backed Securities.

Mortgage Loans:

Report charge-offs of mortgage loans, accrued interest receivable, and advances for taxes and insurance in the appropriate mortgage loan category below.

Include charge-offs to mark repossessed assets to fair value at the date of foreclosure.

VA46: Total

The EFS software automatically generates this amount as the sum of VA420, 430, 440, 446, 456, 466, 470, 480, and 490.

Construction:

VA420: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC230, Construction Loans on 1-4 Dwelling Units.

VA430: Multifamily (5 or More) Dwelling Units

Report the amount of loss that you charged off on SC235, Construction Loans on 5 or More Dwelling Units.

VA440: Nonresidential Property

Report the amount of loss that you charged off on SC240, Construction Loans on Nonresidential Property.

Permanent:

VA446: 1-4 Dwelling Units: Revolving, Open-End Loans

Report the amount of loss that you charged off on SC251, Permanent: 1-4 Dwelling Units: Revolving, Open-End Loans.

VA456: 1-4 Dwelling Units: Secured By First Liens

Report the amount of loss that you charged off on SC254, Permanent: 1-4 Dwelling Units: Secured By First Liens.

VA466: 1-4 Dwelling Units: Secured by Junior Liens

Report the amount of loss that you charged off on SC255, Permanent: 1-4 Dwelling Units: Secured by Junior Liens.

VA470: Multifamily (5 or More) Dwelling Units

Report the amount of loss that you charged off on SC256, Permanent Mortgages on 5 or More Dwelling Units.

VA480: Nonresidential Property (Except Land)

Report the amount of loss that you charged off on SC260, Permanent Mortgages on Nonresidential Property.

VA490: Land

Report the amount of loss that you charged off on SC265, Permanent Mortgages on Land.

Nonmortgage Loans

Report charge-offs of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA56: Total

The EFS software automatically generates this line as the sum of VA520, 510, 516, 530, 540 550, 556, and 560.

VA520: Commercial Loans

Report the amount of loss that you charged off on SC300, Secured Commercial Loans, SC303, Unsecured Commercial Loans, and SC306, Commercial Financing Leases.

Consumer Loans

VA510: Loans on Deposits

Report the amount of loss that you charged off on SC310, Consumer Loans on Deposits.

VA516: Home Improvement Loans

Report the amount of loss that you charged off on SC316, Consumer Home Improvement Loans.

VA530: Education Loans

Report the amount of loss that you charged off on SC320, Consumer Education Loans.

VA540: Auto Loans

Report the amount of loss that you charged off on SC323 Consumer Auto Loans.

VA550: Mobile Home Loans

Report the amount of loss that you charged off on SC326, Consumer Mobile Home Loans.

VA556: Credit Cards

Report the amount of loss that you charged off on SC328, Credit Cards.

VA560: Other

Report the amount of loss that you charged off on SC330, Other Closed-End Consumer Loans.

Repossessed Assets:

Report all direct charge-offs on repossessed assets. You should mark repossessed assets to fair value at the date of foreclosure and charge the markdown against the loan balance.

VA60: Total

The EFS software automatically generates this amount as the sum of VA605 through VA630.

Real Estate:

VA605: Construction

Report the amount of loss that you charged off on SC405, Repossessed Real Estate Construction.

VA613: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC415, Repossessed 1-4 Dwelling Unit Real Estate.

VA616: Multifamily (5 or More) Dwelling Units

Report the amount of loss that you charged off on SC425, Repossessed 5 or More Dwelling Unit Real Estate.

VA625: Nonresidential (Except Land)

Report the amount of loss that you charged off on SC426, Repossessed Nonresidential Real Estate, Except Land.

VA628: Land

Report the amount of loss that you charged off on SC428, Repossessed Land.

VA630: Other Repossessed Assets

Report the amount of loss that you charged off on SC430, Other Repossessed Assets.

VA930: Other Assets

Report the amount of loss that you charged off on SC689, Other Assets.

Do not include:

1. Write-downs of office buildings, leasehold improvements, furniture, fixtures, equipment, and automobiles. Report these write-downs as an adjustment of depreciation on SO440, Net Income (Loss) from Office Building Operations, and SO530, Office Occupancy and Equipment Expense.
2. Write-downs on SC660, Goodwill and Other Intangible Assets. Report these write-downs as an adjustment of amortization on SO560, Amortization of Goodwill.

RECOVERIES

Report the amount of recoveries during the quarter due to the repayment of assets previously charged off in the recovery column. For additional information, see the general instructions to Schedule VA.

The EFS software automatically generates VA135 once you enter recoveries on VA371, 47, 57, and 931.

Do not include:

1. Sale of an asset at a sales price exceeding the carrying value. Report this amount in income on SO430 and SO467 through SO477.
2. Payments received on assets for which a valuation allowance has been established. Adjust the ending balance of the valuation allowance appropriately.

VA371: Mortgage-Backed Securities

Report the amount of recoveries on mortgage-backed securities that you reported on SC210 through SC228.

Mortgage Loans

Include recoveries of accrued interest receivable and advances for taxes and insurance in the appropriate mortgage loan category below. Report recoveries on deficiency judgments in the mortgage loan category to which the judgment applies.

VA47: Total

The EFS software automatically generates this amount as the sum of VA421, 431, 441, 447, 457, 467, 471, 481, and 491.

Construction:

VA421: 1-4 Dwelling Units

Report the amount of recoveries on SC230, Construction Loans on: 1-4 Dwelling Units.

VA431: Multifamily (5 or More) Dwelling Units

Report the amount of recoveries on SC235, Construction Loans on: 5 or More Dwelling Units.

VA441: Nonresidential Property

Report the amount of recoveries on SC240, Construction Loans on: Nonresidential Property.

Permanent:

VA447: 1-4 Dwelling Units: Revolving, Open-End Loans

Report the amount of recoveries on SC251, Permanent: 1-4 Dwelling Units: Revolving, Open-End Loans.

VA457: 1-4 Dwelling Units: Secured By First Liens

Report the amount of recoveries on SC254, Permanent: 1-4 Dwelling Units: Secured By First Liens.

VA467: 1-4 Dwelling Units: Secured by Junior Liens

Report the amount of recoveries on SC255, Permanent: 1-4 Dwelling Units: Secured by Junior Liens.

VA471: Multifamily (5 or More) Dwelling Units

Report the amount of recoveries on SC256, Permanent Mortgages on: 5 or More Dwelling Units.

VA481: Nonresidential Property (Except Land)

Report the amount of recoveries on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

VA491: Land

Report the amount of recoveries on SC265, Permanent Mortgages on: Land.

Nonmortgage Loans

Report recoveries of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA57: Total

The EFS software automatically generates this amount as the sum of VA521, VA511, VA517, 531, 541, 551, 557, and 561.

VA521: Commercial Loans

Report the amount of recoveries on Commercial Loans on SC300, Commercial Loans: Secured, SC303, Commercial Loans: Unsecured, and SC306, Commercial Loans: Financing Leases.

Consumer Loans

VA511: Loans on Deposits

Report the amount of recoveries on SC310, Closed-End Consumer Loans: Loans on Deposits.

VA517: Home Improvement Loans

Report the amount of recoveries on SC316, Closed-End Consumer Loans: Home Improvement Loans.

VA531: Education Loans

Report the amount of recoveries on SC320, Closed-End Consumer Loans: Education Loans.

VA541: Auto Loans

Report the amount of recoveries on SC323, Closed-End Consumer Loans: Auto Loans.

VA551: Mobile Home Loans

Report the amount of recoveries on SC326, Closed-End Consumer Loans: Mobile Home Loans.

VA557: Credit Cards

Report the amount of recoveries on SC328, Credit Cards.

VA561: Other

Report the amount of recoveries on SC330, Consumer Loans: Other, Including Lease Receivables.

VA931: Other Assets

Report the amount of recoveries on all other financial assets that you did not include above. Include recoveries on miscellaneous receivables that you reported on SC689, Other Assets.

Do not include:

1. Gains on the sale of REO. Report these gains on SO461, Operations and Sale of Repossessed Assets.
2. Recoveries on deficiency judgments or other recoveries of loans foreclosed upon. Report these recoveries as a recovery of the loan in the appropriate loan category above.

SPECIFIC VALUATION ALLOWANCE PROVISIONS & TRANSFERS FROM GENERAL ALLOWANCES

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances during the quarter. This applies to any specific valuation allowance activity with the exception of charge-offs and acquisitions.

CC330: TO SELL LOANS

Report outstanding commitments to sell whole mortgage and nonmortgage loans and participating interests.

TO PURCHASE OR SELL MORTGAGE-BACKED SECURITIES AND INVESTMENT SECURITIES

Report all commitments to purchase mortgage-backed securities and investment securities whether or not they are accounted for under SFAS Statement No. 133 (e.g., when-issued, regular-way trades, or normal purchases and sales) on the appropriate line: CC335, CC355, CC365, or CC375. Report commitments to purchase and sell when-issued securities that are accounted for as derivatives under SFAS Statement No. 133 on a gross basis (except you may net purchases and sales of the identical security with the same party). For example, report a GSE To-Be-Announced (TBA) mortgage-backed security where there is expectation of physical delivery upon issuance of the security (regular-way trade) on CC335. Similarly, report a GSE TBA where there is no expectation of delivery, and therefore, accounted for under SFAS Statement No. 133 as a forward contract, also on CC335.

CC335: TO PURCHASE MORTGAGE-BACKED SECURITIES

Report outstanding commitments to purchase mortgage-backed securities of the types included on SC210 through SC222.

CC355: TO SELL MORTGAGE-BACKED SECURITIES

Report outstanding commitments to sell mortgage-backed securities of the types included on SC210 through SC222.

CC365: TO PURCHASE INVESTMENT SECURITIES

Report outstanding commitments to purchase investment securities of the types reported on SC130 through SC185.

CC375: TO SELL INVESTMENT SECURITIES

Report outstanding commitments to sell investment securities of the types reported on SC130 through SC185.

LINES AND LETTERS OF CREDIT:

UNUSED LINES OF CREDIT:

Report all unused lines of credit that you issue in connection with credit cards or open-end loans. **Unused lines of credit** are defined as the difference between the amount authorized by contract and the actual amount outstanding at quarter-end.

Do not include loans-in-process on constructions loans; report construction LIP on CC105.

CC412: Revolving Open-End Loans On 1-4 Dwelling Units

Report unused lines of credit on mortgage loans on 1-4 dwelling units for revolving, open-end loans (home equity lines of credit) reported on SC251.

CC420: Commercial Lines

Report unused lines of credit on nonmortgage commercial loans reported on SC300 and SC303.

Open-End Consumer Lines:

CC423: Credit Cards

Report unused lines of credit on consumer credit cards reported on SC328.

CC425: Other

Report unused lines of credit on consumer loans reported on SC330, including credit extended to individuals under prearranged overdraft plans.

LETTERS OF CREDIT

Report the undrawn portion of outstanding letters of credit at the end of the quarter. Do not report any other type of commitment. Report most other types of commitments on CC280 through CC375.

There are two classifications of letters of credit:

1. A **commercial letter of credit** is one where the issuer expects to pay drafts or other demands for payment.
2. A **standby letter of credit** is one where the issuer stands ready to pay in the unexpected event that the customer defaults or fails to perform on the underlying contract with the third party.

Do not include unused lines of credit.

CC430: Commercial

Report the undrawn portion of commercial letters of credit.

CC435: Standby, Not Included on CC465 or CC468

Report the undrawn portion of all standby letters of credit not included on CC465 or CC468. Include both collateralized and uncollateralized standby letters of credit.

RECOURSE OBLIGATIONS AND DIRECT CREDIT SUBSTITUTES

If you have recourse obligations, residual interests, credit-enhancing interest-only strips, subordinated securities, or direct credit substitutes, you should use the lines below to report these interests and the amount of assets that they enhance.

You may find it helpful to review the definitions in 12 CFR 567.1. While that section does not include a specific definition for subordinated securities, in context you should consider subordinated securities as a type of direct credit substitute.

You also use these lines to report exposures arising through a nonsecurity financial instrument under FASB Statement No. 140.

CC455: TOTAL PRINCIPAL AMOUNT OF ALL ASSETS COVERED BY RECOURSE OBLIGATIONS OR DIRECT CREDIT SUBSTITUTES

Report the outstanding principal balance of assets you enhance, fully or partially, by recourse obligations, credit-enhancing interest-only strips, residual interests, subordinated securities, or direct credit substitutes.

Include:

1. The full amount of assets enhanced by your recourse obligations, requiring you to absorb credit losses on assets held by a third party.

   Example: If you sell $1000 in loans, and agree to absorb the first 10% of losses, you report $1000 on this line, and $100 on line CC468.
2. The full amount of assets enhanced by your residual interests.

   Example: If you create and securitize a $1000 pool of loans and you sell $900 and retain a “first loss” residual interest of $100, you report $1,000 on this line and $100 on line CC468.
3. The full amount of assets enhanced by your subordinated securities:

   Example: If you buy a subordinated security in a senior/subordinated structure, the total structure is $1,000, and your subordinated security is $200, you report $1,000 on this line and $200 on line CC465.
4. The full amount of assets enhanced by your letters of credit, or other direct credit substitutes, both collateralized and uncollateralized, to cover credit obligations of another party.

   Example: If you provide a simple line of credit of $100 to another party, you report $100 on this line, and $100 on line CC465.
   Example: If you provide a line of credit of $100 to another party that is available to enhance the other party’s “first loss” or otherwise subordinate obligation on a $1,000 loan pool, you report $1000 on this line and $100 on line CC465.
5. Assets covered by recourse obligations even if the obligation is limited to 120 days or less.

Do not Include:

Positions subordinate to your own.
Example: If you have retained a $100 mezzanine “second loss” security in a $1000 pool of assets that you have securitized or purchased and you have sold the $100 first loss security (subordinate to your security) and the $800 security (senior to your security), you report $900 on this line and $100 on line CC468.

CC465: AMOUNT OF DIRECT CREDIT SUBSTITUTES ON ASSETS IN CC455

Include the amount of direct credit substitutes, including purchased credit-enhancing interest-only strips, purchased subordinated securities, and other similar exposures that you have purchased from another party.

Report the face amount of the exposure, residual, or security that you have purchased from another party, or the face amount of a letter of credit that you supply to another party. Refer to the examples in item 4, CC455 above.

CC468: AMOUNT OF RECOURSE OBLIGATIONS ON ASSETS IN CC455

Include the amount of recourse obligations, residuals, credit-enhancing interest-only strips, and subordinated securities that arise from your own securitization activities.

Report the face amount of the exposure, residual, or security that arises from your own securitization activities. Include letters of credit issued on behalf of affiliates or on behalf of any securitization trust that you have created. Refer to the examples under CC455 above.

CC480: OTHER CONTINGENT LIABILITIES

Report all contingent liabilities that you do not report elsewhere in this schedule or in Schedule SC.

CC490: CONTINGENT ASSETS

Report all contingent assets not reported elsewhere in this schedule or Schedule SC.

OTHER AMOUNTS NECESSARY TO ADJUST DEPOSITS REPORTED ON SC710 (REPORTED IN ACCORDANCE WITH GAAP) TO CONFORM TO THE DEFINITION OF DEPOSITS IN ACCORDANCE WITH THE FEDERAL DEPOSIT INSURANCE ACT:

Generally accepted accounting principles, GAAP, permit savings associations to offset or net assets and liabilities when a right of setoff exists. However, under the FDI Act, you may only net certain specified assets against deposit liabilities for deposit insurance and FICO assessment purposes. Thus, deposits reported on the balance sheet, Schedule SC, and elsewhere in Schedule DI may be different than required for assessment purposes. For example, you may exclude hypothecated demand deposits from the deposit base for premium insurance assessment purposes; and you must include dealer's reserves as deposits under the FDI Act.

Example 1:
A savings association has a $200,000 asset and a $500,000 deposit liability for which a right of setoff exists under GAAP. The savings association nets the asset and liability on its balance sheet, Schedule SC, and reports a net $300,000 deposit liability. The savings association should report $200,000 on DI720 or DI730, depending on the type of deposit involved in the netting.

Example 2:
A savings association has a $400,000 asset and a $250,000 deposit liability for which a right of setoff exists under GAAP. The savings association nets the asset and liability on its balance sheet, Schedule SC, and reports a net $150,000 asset. The savings association should report $250,000 on DI720 or DI730, depending on the type of deposit involved in the netting.

DI720: Adjustment to Demand Deposits (including escrows)

Report all adjustments to demand deposits, as defined in the instructions for DI610, including escrows.

DI730: Adjustment to Time and Savings Deposits (including escrows)

Report all adjustments to deposits not included in DI720.

TO BE COMPLETED ONLY BY ASSOCIATIONS WITH OAKAR DEPOSITS:

You should complete this section for the first quarter in which you acquire Oakar deposits and in any quarter that you purchase or sell deposits, whether SAIF-insured or BIF-insured. You acquire Oakar deposits through purchase or merger of deposits insured by a secondary fund – for example, a SAIF-insured savings association purchases BIF-insured deposits. Include accrued interest and escrows in your reporting. For further information, see the FDIC Deposit Reporting Self Assessment Guide For Thrifts, OMB NO. 3064-0057.

DI740: Total deposits purchased or acquired from FDIC-insured institutions during the quarter

DI750: Amount of purchased or acquired deposits reported in DI740 attributable to a secondary fund (i.e., SAIF members report deposits attributable to BIF; BIF members report deposits attributable to SAIF)

DI760: Total deposits sold or transferred during the quarter

3. Unused portions of retail credit card lines of credit that you may unconditionally cancel to the extent allowed by applicable law.
4. Unused portion of home equity lines of credit:
   a. That you may unconditionally cancel at any time to the extent allowed by federal law.
   b. You have the contractual right to make, and you do make, either:
      i. A separate credit decision based upon the borrower's current financial condition before each draw.
      ii. An annual, or more frequent credit review, based upon the borrower's current financial condition to determine whether to continue the lending arrangement.
5. A commitment to make a permanent loan, where either the balance sheet or off-balance-sheet includes the construction loan. If the commitment to make the permanent loan exceeds the construction loan, treat the excess as a separate commitment and convert it to an on-balance-sheet equivalent.

Twenty Percent Credit Conversion Factor

Trade-related contingencies are short term, self-liquidating instruments used to finance the movement of goods and collateralized by the underlying shipment. For example, a commercial letter of credit.

Fifty Percent Credit Conversion Factor

Include:

1. Transaction-related contingencies, including performance bonds and performance-based standby letters of credit.
2. Unused commitments with an original maturity greater than one year, including home equity lines of credit that are not in the zero percent credit conversion factor category because they are not unconditionally cancelable.
3. Revolving underwriting facilities, note issuance facilities, and similar arrangements where the customer can issue short-term debt in its own name, but where you have a legally binding commitment to either:
   a. Purchase the obligations the customer is unable to sell by a certain date.
   b. Advance funds to its customer if the customer is unable to sell the obligations.

Example:

You have a $1 million off-balance-sheet letter of credit guaranteeing the completion of a road in a residential construction project. Letters of credit that guarantee performance have a conversion factor of 50 percent. You convert the $1 million off-balance-sheet item into a $500,000 on-balance-sheet equivalent ($1 million times 50 percent), and place this in the 100 percent risk-weight category on CCR506, which is the same risk-weight category as on-balance-sheet residential construction loans.

One Hundred Percent Credit Conversion Factor

Include:

1. Financial guarantee-type standby letters of credit. Convert the face amount to a credit-equivalent amount.
2. Assets sold with recourse:
   a. If you sell a $100 loan with ten percent recourse, you must convert the full $100 – the grossed up amount – at 100 percent, except where the amount of recourse liability that you retain is less than the capital requirement for credit-risk exposure. In that situation, the low-level recourse provision limits your capital charge to a dollar-for-dollar requirement against the amount of credit-risk exposure retained. For example, in the sale of most assets with one percent recourse, the amount of liability retained is less than

the capital requirement. Therefore, one percent of the assets sold would be the capital requirement. Report this low-level recourse amount on CCR375 or CCR605. No off-balance-sheet conversion is necessary.

b. Loans serviced for others where you or your subsidiaries are liable for credit losses on the loans serviced. In general, do not consider servicing of VA loans in GNMA pools as recourse servicing; however, we reserve the right on a case-by-case basis to treat such servicing as recourse. ***Note***: You should not risk weight the on-balance-sheet asset. You should convert the full outstanding balance of the loans serviced at 100 percent.

c. Treat the subordinated portions of senior/subordinated securities, both retained and purchased subordinated pieces, identically to assets sold with partial, first-loss recourse under 2(a) above. You generally should not risk weight the on-balance-sheet-subordinated security. You should convert the full amount of both the senior and subordinate portions of the mortgage pool security at 100 percent.

d. You may elect to apply the 100 percent credit conversion factor to only the retained recourse amount related to transfers of small business loans and leases of personal property, according to § 208 of the Riegle Community Development and Regulatory Improvement Act of 1994. Qualifying savings associations may apply the treatment under § 208, as implemented, to transfers on or after March 22, 1995. See § 208 of the Riegle Act and 12 CFR § 567.6(a)(2)(i)(C).

3. Forward agreements and other contingent obligations with a specified draw down are legally binding agreements to purchase assets at a specified future date. You should convert the principal amount of the assets you will purchase on the date you enter into the agreement.
4. Securities of customers where you lend such securities to others as agent and you indemnify the customer against loss.

Example:

You have a $1 million off-balance-sheet, legally binding commitment to purchase and the institution has the intent to take delivery of (e.g., a regular-way trade, which is not accounted for as a derivative under SFAS Statement No. 133) FannieMae or FreddieMac MBS. Forward agreements to purchase assets at a specified date have a conversion factor of 100 percent. You convert the $1 million off-balance-sheet item into a $1 million on-balance-sheet equivalent, and you place it in the 20 percent risk-weight category on CCR450.

Interest-Rate and Exchange-Rate Contracts, and Certain Derivative Contracts

Credit Equivalent Amount

This calculation translates interest-rate and exchange-rate contracts into an on-balance-sheet credit equivalent amount. The credit equivalent amount of interest-rate and exchange-rate contracts is the sum of: (1) current credit exposure, and (2) potential credit exposure.

The credit equivalent amount, consisting of the current exposure plus the potential credit exposure, is assigned to the appropriate risk-weight category and reported on one of the following lines:

20% Risk weight

CCR435	Claims on FHLBs
CCR445	Claims on Domestic Depository Institutions
CCR450	Other (where the counter party is a Federal Reserve Bank)

50% Risk weight

CCR480	Other – where the counter party is other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank

1. Current Credit Exposure

Current credit exposure is the replacement cost of the contract, measured in U.S. dollars, regardless of the currency specified in the contract.

Replacement cost is the loss that you would incur if a counterparty defaults. You measure replacement cost as the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is zero. The replacement cost calculation incorporates changes in both interest rates and counterparty credit quality.

2. Potential Credit Exposure

Potential credit exposure means the estimated potential increase in credit exposure over the remaining life of the contract. You calculate it as follows:

Interest-rate Contracts

Multiply the notional principal amount of the contract by either:

1. Zero percent, if the contract has a remaining maturity of one year or less.
2. One-half of one percent if the contract has a remaining maturity greater than one year.

Exchange-rate Contracts

Multiply the notional principal amount of the contract by either:

1. One percent if the contract has a remaining maturity of one year or less.
2. Five percent if the contract has a remaining maturity greater than one year.

Example:

You have a $10 million notional amount interest rate swap agreement. You report the positive fair value of this derivative instrument of $80 thousand as an asset under FASB Statement No. 133, and include it in line SC689, Other Assets. However, you do **not** include this $80 thousand on-balance-sheet amount in assets to risk weight. Instead, you include in assets to risk weight the credit equivalent amount of this interest rate exchange agreement, which you have calculated to be $130 thousand. You computed the $130 thousand by adding the current credit exposure of $80 thousand (equal to the replacement cost of the contract) to the potential credit exposure of $50 thousand (equal to the $10 million notional amount times 0.5%, for this contract with a remaining maturity of 2 years). You include the $130 thousand in assets to risk weight, in the 20 percent risk-weight category on CCR435, because the counterparty is a Federal Home Loan Bank.

Example:

You have a legally binding commitment to purchase when-issued (TBA) FannieMae MBS of $10 million. You entered into the contract for risk management purposes, and you have no intent to take delivery of the MBS, i.e., you intend to net settle. You report this security according to SFAS Statement No. 133 since it is a derivative contract, i.e., an interest rate forward agreement.

The fair value of the commitment is $ 5,000. The replacement cost of the commitment is $5,000. It is a 6-month contract.

Report $5,000 on Schedule SC, under either Other Assets or Other Liabilities, depending on whether the value is positive or negative. Because this TBA MBS is a derivative contract whose value will change with market interest rates, it is treated as an interest rate forward contract under the off-balance to on-balance sheet regulatory conversion rules, and you must determine its credit equivalent amount. For risk-based capital purposes, the credit equivalent amount of such a derivative contract, in this case the interest rate forward contract is the sum of its current credit exposure (replacement cost) plus the potential future exposures over the remaining life of the derivative contract (regardless of current credit exposure, if any). The current credit exposure of a derivative contract is (1) the fair value of the contract when that fair value is positive and (2) zero when the fair value of the contract is negative or zero. The potential future credit exposure of a contract, which is based on the type of contract and the contract's remaining maturity, is determined by multiplying the notional principal amount of the contract by the appropriate credit conversion factor from the following chart.

In this example, the current credit exposure is $5,000, the replacement cost. Report $5,000 on CC335. To determine the potential future credit exposure of the contract, multiply the notional amount of $10 million times 0% (since the remaining maturity is less than one year), or $0. The converted equivalent amount to report for risk-based capital purposes is therefore $5,000. Report $5000 on CCR430. This amount is then multiplied by the risk-weight factor of 20% because FannieMae is the obligor. FannieMae receives a 20% risk-weight because it is a U.S. government sponsored agency that issues securities under 12 CFR 567.6.

Also see December 2005 changes to page 1626.

Netting of Current Replacement Value under Qualifying Bilateral Netting Agreements

You may net the current replacement values of multiple rate contracts with a single counterparty under a qualifying bilateral netting agreement in accordance with the OTS' bilateral netting rule according to 12 CFR § 567.6(a)(2)(v)(B). A bilateral netting agreement is a master contract under which two parties agree to net the amounts they owe each other under rate contracts covered by the agreement to reduce their credit exposure. You may only net contracts for capital purposes under this rule if **all** of the following are true:

1. The rate contracts are between the same two parties.
2. You net only interest rate contracts and foreign exchange rate contracts for capital purposes.
3. The bilateral netting contract covering the rate contracts results in a single netted amount being payable or receivable in case of the default, insolvency, bankruptcy, or similar circumstance of either party.
4. If you are party to the bilateral netting agreement, you have legal opinions concluding that the courts and other legal authorities of relevant jurisdictions would uphold the contract.

CCR605: Amount of Low-Level Recourse and Residual Interests Before Risk weighting

If you elect the "super risk weighting" approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133.

Include:

1. The amount of recourse liability (low-level recourse amount) that you retain when it is less than the capital requirement for credit-risk exposure. Therefore, you do not convert it to an on-balance-sheet equivalent. In the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirement. You would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section.
2. The amount of on-balance-sheet financial instruments reported pursuant to FASB Statement No. 125 representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

Do not Include:

Credit-enhancing interest-only strips reported on SI402 that exceed 25% of your Tier 1 Capital. You must deduct the amount that exceeds 25% of Tier 1 capital on CCR 133.

CCR62: RISK-WEIGHTED ASSETS FOR LOW-LEVEL RECOURSE AND RESIDUAL INTERESTS (CCR605 X 12.5)

This notional risk-weighted amount is your low-level recourse and residual interests amount on CCR605 multiplied by 12.5. ***Note:*** This computation results in a risk-weighted asset amount that when multiplied by 8 percent results in your low-level recourse amount. By converting your low-level recourse and residual interests amount into risk-weighted assets, this method increases your total risk-based capital requirement instead of reducing your total risk-based capital like the deduction method.

The EFS software will compute this line as CCR605 multiplied by 12.5, the reciprocal of the 8 percent risk-based capital requirement.

CCR64: ASSETS TO RISK WEIGHT

The EFS software will automatically compute this line as the sum of CCR420, CCR455, CCR485, CCR510, and CCR605.

Total assets subject to risk weighting are as follows:

1. Adjusted Total Assets, CCR25.
2. ALLL, CCR350 plus CCR530.
3. Assets you are required to deduct, reported on CCR370.
4. Off-balance-sheet items you are required to convert to assets to risk weight.
5. Unrealized gains on AFS equity securities reported on CCR302.
6. Less any on-balance-sheet assets reported on CCR375.

CCR75: Subtotal Risk-Weighted Assets

The EFS software will compute this line as the sum of CCR40, CCR45, CCR50, CCR55, and CCR62.

CCR530: Excess Allowances for Loan and Lease Losses (ALLL)

Report an amount on CCR530 only when the ALLL reported on CCR350 is less than the ALLL reported on SC283 and SC357. This could occur when the total ALLL reported on Schedule SC exceeds the regulatory capital limit of 1.25 percent of risk-weighted assets. Report on CCR530 the ALLL reported on SC283 and SC357 that is not included on CCR350. Excess ALLL may not include amounts for liabilities for credit losses on off-balance-sheet credit exposures.

CCR78: TOTAL RISK-WEIGHTED ASSETS

The EFS software will compute this line as CCR75 minus CCR530.

CCR80: Total Risk-Based Capital Requirement

The EFS software will compute this line as CCR78, Total Risk-Weighted Assets multiplied by eight percent. This represents the Total Risk-based Capital necessary to be deemed adequately capitalized pursuant to 12 CFR Part 565.

If you have an individual minimum capital requirement (IMCR) set by OTS that requires the maintenance of a capital level in excess of the minimum requirement, you should override the calculated amount and report your IMCR.

This amount should never be less than eight percent of CCR78.

CAPITAL AND PROMPT CORRECTIVE ACTION RATIOS

The EFS software will compute the following ratios. These ratios provide you and the data user with instantaneous calculation of important capital ratios.

CCR810: Tier 1 (Core) Capital Ratio

The EFS software will compute this ratio as Tier 1 (core) capital divided by adjusted total assets (CCR20/CCR25), expressed as a percentage.

CCR820: Total Risk-Based Capital Ratio

The EFS software will compute this ratio as total risk-based capital divided by risk-weighted assets (CCR39/CCR78), expressed as a percentage.

CCR830: Tier 1 Risk-Based Capital Ratio

The EFS software will compute this ratio as Tier 1 (core) capital, less the deduction for low-level recourse and residual interests, divided by risk-weighted assets ((CCR20-CCR375)/CCR78), expressed as a percentage.

CCR840: Tangible Equity Ratio

The EFS software will compute this ratio as Tier 1 (core) capital plus cumulative perpetual preferred stock less servicing assets on nonmortgage loans divided by tangible assets less servicing assets on nonmortgage loans ([CCR20-CCR185+SC812-SC644]/[CCR25-CCR285-SC644]), expressed as a percentage.